

C.R. Sandipal

P-12-1

PACIFIC FRUIT EXPRESS COMPANY

April News Letter

San Francisco, April 20, 1954

ALL P.F.E. EMPLOYEES:

	<u>P.F.E. Loading</u>					
		<u>1954</u>			<u>1953</u>	
	<u>PFE Cars</u>	<u>Foreigns</u>	<u>Total</u>	<u>PFE Cars</u>	<u>Foreigns</u>	<u>Total</u>
March	28,838	1,945	30,783	31,445	2,720	34,165
Jan.-Mar.	86,507	6,216	92,723	91,480	8,263	99,743

Car Situation:

Supplies are ample in all contract line territories and are being improved in Northern California in advance of the Salinas lettuce and Kern County potato movements. To keep PFE cars active, they are being directed to foreign line service in New England and Florida at the rate of around 100 daily. This will be continued through April to the extent such outlets are available.

Crop Conditions - Southern Pacific -

Oregon: Potato movement from Klamath Basin should continue at rate of 20 daily through April 15th after which supplies will be nearly exhausted. Winter pears should move at rate of 5 to 10 daily through the month. Frozen food shipments will move in heavy volume until the end of the month to reduce inventories prior to tax day.

Northern California: The asparagus deal is under way after a late start due to unfavorable weather. The "grass" should move in volume through April 15th. Digging of the new crop of Kern County potatoes is just starting with trucking to local markets. Rail shipments have started in a small way and will increase gradually as acreage matures. Spring lettuce in Salinas Valley is getting off to a poor start due to

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Northern California: The asparagus deal is under way after a late start due to unfavorable weather. The "grass" should move in volume through April 15th. Digging of the new crop of Kern County potatoes is just starting with trucking to local markets. Rail shipments have started in a small way and will increase gradually as average matures. Spring lettuce in Salinas Valley is getting off to a poor start due to

late March rains. Shipments may not reach 100 cars daily until April 20th.

Southern California: Guadalupe vegetables will average around 30 cars daily through the month, and citrus from Santa Paula, Los Angeles, and Colton areas should maintain a steady movement at 75 to 80 daily. In Imperial Valley lettuce loading has terminated, however, carrots will continue at rate of 25 to 40 daily through the month. In Yuma Valley a small daily movement of grapefruit and carrots will carry through April. Salt River lettuce is in peak of harvest which should continue through April 15th. F.C.del P. tomatoes and peppers are moving through Nogales in steady volume and will continue until new tomato crops in U.S. come into production later in the month.

T. & N.O.: Miscellaneous vegetables from Eagle Pass and Rio Grande Valley will continue in good volume through April as will onions from Laredo and Costal Bend areas.

Crop Conditions along Union Pacific -

Utah-Idaho Division: Conditions have changed little in the potato situation with plentiful supplies and a depressed market, however, shipments are holding up comparatively well in order to dispose of crop. Prospects are good for fruit crops in Northern Utah and Western Idaho. In Northwestern District apple shipments should be heavier during April and May than during same period last year due to greater storage inventories.

In Eastern District, Colorado potatoes continue to move in light volume. Markets are dull and shippers are moving only when profits are assured. Nebraska potatoes also are moving very slowly with

late March sales. Shipments may not reach 100 cars daily until

April 20th.

Southern California vegetable shipments will average around 30 cars daily through the month, and citrus from San Joaquin, Los Angeles, and Orange areas should maintain a steady movement at 15 to 20 daily. In Imperial Valley lettuce loading has terminated, however, carrots will continue at rate of 25 to 40 daily through the month. In Yuma Valley a small daily movement of grapefruit and carrots will carry through April. San Joaquin is in peak of harvest which should continue through April 15th. F.O. Del F. tomatoes and peppers are moving through Nogales in steady volume and will continue until new crops in U.S. come into production later in the month.

T.A.N.O.: Miscellaneous vegetables from Essex and Biggs areas will continue in good volume through April as will citrus from Imperial and Coastal areas.

Good Conditions along Utah Route

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In Eastern District, Colorado potatoes continue to move in light volume. Markets are dull and shippers are moving only when prospects are assured. Nebraska potatoes also are moving very slowly with

little prospects for improvement.

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You Are The Big "I" In "Safety-Wise"

In the first three months this year we experienced a noticeable reduction in the number of lost time personal injury cases compared with last year, leading to the thought that increased interest on the part of supervisors and personnel in an active safety program is producing results. The life and welfare of our employees is so important that continued effort on the part of everyone is needed.

Keep safety rules, practices and interest on the top of your every-day list of good deeds.

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With the advent of mechanical refrigeration for frozen foods many of our people are being asked if such service will be made available for fresh fruits and vegetables, etc., our present mechanical equipment being restricted to frozen foods service. To provide you with information to answer such inquiries, as well as to satisfy your own questions in this respect, there is attached a review of the principal factors involved as we see them today. Naturally, future developments could alter these views quite radically, in which case the P.F.E. will keep pace with changing conditions.

K. V. PLUMMER

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THE OUTLOOK FOR MECHANICAL REFRIGERATION ON THE RAILROADS

In considering conversion of the nation's refrigerator car fleet to mechanical refrigeration some uncertain and indefinite factors must be conceded at the outset. For example:

Present installed cost of a mechanical unit undoubtedly could be reduced under any large-scale conversion program. How much, we do not know.

It would be physically impracticable to convert the nation's 105,000 refrigerator cars in any short period such as one or two, or perhaps even ten years. The conversion would have to be spread over many years.

Furthermore, many of the presently operating cars, while adequate for handling water-ice refrigeration, are of an age, construction type, or general condition that would not justify installation of a unit costing perhaps \$8,000 per car. When the service required conversion of that part of the car-fleet, new cars would be required at an investment cost of \$16,000 per car.

In any large-scale conversion program, a point would be reached when the operation of a small number of ice refrigerated cars would become uneconomical, perhaps forcing wholesale junking of such equipment together with ice manufacturing plants, car icing decks, etc. in advance of their life-end.

Accessorial expense would be substantial for repair and fueling facilities, parts stocks, etc.

While all these factors are recognized, for sake of simplification they will be ignored here and our comments confined to 100% conversion of PFE's 39,000 refrigerator cars at present cost of \$8,000 per car.

Cost of conversion would be	<u>\$312,000,000</u>
Manufacturers estimate the life of a unit at about 10 years. With possible salvage value of 10%, annual depreciation can be taken at 9% or	28,080,000
A return of 6% on the investment adds	<u>18,720,000</u>
Total annual fixed charges on units only	\$46,800,000

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Total annual fixed charges on units only	\$46,800,000

Check of the last 3-year record shows PFEs make about 286,000 loaded trips a year under refrigeration. Divided into the total fixed charges (\$46,800,000 per year) this produces a fixed charge per loaded trip of about \$163.

Average refrigeration revenues per car per trip accruing to our contract lines in 1952 was \$82, indicating that fixed charges alone on the mechanical units would be twice the amount of present rates paid by shippers. The cost of repairs, fuel, etc., for the unit would add further to the costs. These additional costs are estimated at about 50% of the present cost of furnishing ice and salt, or about \$41 per trip (if we consider the \$82 figure of average revenue as compensatory which, incidentally, it is not by about \$5 per trip). On this basis the refrigeration rate would have to be \$204 per trip to a theoretical "average destination" under mechanical refrigeration, compared to the \$82 average rate under ice and salt.

Effect of mechanical refrigeration rates on shipments using less than full refrigeration service:

Of the approximately 286,000 refrigerated carloads originating on PFE contract lines annually, the division between types of refrigeration is as follows:

Standard refrigeration	39%
Rule 240 (initial icing only)	23%
Rule 242 (top or body icing)	21%
Rule 247 (initial and 1, 2 or 3 reicings)	6%
Other	11%

Included in the 39% under standard refrigeration is a large number of shipments under half-stage icing, the rate for which is about 78% of the full standard refrigeration rate. Therefore, more than 61% of the traffic requires only "modified service" for which present rates are

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Effect of mechanical refrigeration rates on shipments having less than full refrigeration service:

Of the approximately 286,000 refrigerated carloads originating on PFR contract lines annually, the division between types of refrigeration is as follows:

Standard refrigeration	39%
Rate 240 (initial icing only)	23%
Rate 245 (top or body icing)	21%
Rate 345 (initial and 1, 2 or 3 re-icing)	16%
Other	1%

Included in the 39% under standard refrigeration is a large number of shipments under half-charge icing, the rate for which is about 70% of the full standard refrigeration rate. Therefore, more than 61% of the traffic requires only "modified service" for which present rates are

proportionately lower. The fixed and operational charges for mechanical refrigeration necessarily would require that shippers using this "modified service" pay their proportion of the fixed charges previously mentioned (\$163 per trip) plus repair, fuel and other costs almost identical to shippers using full refrigeration service.

The economics of mechanical refrigeration on frozen food traffic presents a much different picture because of -

1. The constant need for maximum refrigeration on this commodity whether using ice and salt or mechanical unit, and
2. Present rates for frozen foods are 50% higher than the standard refrigeration rates.

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Under heater service, we handle 28,000 cars annually. While the mechanical units could provide adequate and controlled heat, this service is now being provided with portable thermostatically controlled heaters costing \$62 each, and but 9,000 are required to handle all shipments moving in PFE's 39,000 cars.

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Certain other advantages are often credited to mechanical refrigeration, for example, lower claim payments. However, PFE claim payments for all faulty protective services during 1952 amounted to \$109,000, or less than one-half of 1% of the gross revenues from these protective services. Furthermore, only a small portion of this amount involved claims for deterioration which, theoretically, could be eliminated by mechanical refrigeration, and a great many of even these involve man-failures which would be with us to some extent even with mechanical units in our cars. The bulk of the claims cover a

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Under heater service, we handle 28,000 cars annually. While the mechanical units should provide adequate and controlled heat, this service is now being provided with portable thermostatically controlled heaters costing \$62 each, and but 2,000 are required to handle all shipments moving in PFE's 30,000 cars.

Certain other advantages are often credited to mechanical refrigeration, for example, lower claim payments. However, PFE claim payments for all family protective services during 1952 amounted to \$102,000, or less than one-half of 1% of the gross revenues from these protective services. Furthermore, only a small portion of this amount involved claims for deterioration which, theoretically, could be eliminated by mechanical refrigeration, and a great many of even these involve maintenance which would be with us to some extent even with mechanical units in our cars. The bulk of the claims cover a

broad field -- breakage, delays, loss of markets, none of which would be alleviated by a change in refrigeration method.

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Faster schedules and freedom from delays are cited in favor of mechanical units. However, during the gradual conversion from ice-bunker cars all trains would still go to the icing decks and the mechanical cars would still wait for icing service for the ice cars. Furthermore, this service is, to a large extent, handled while railroad forces are performing railroad mechanical inspections, so the saving of time here is questionable. And the mechanical car would also require some inspection and servicing enroute.

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For fresh fruits and vegetables, a means of preventing dehydration enroute is required with mechanical refrigeration. No doubt this can be provided, however, our present equipment has no such provision.

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The foregoing is an analysis of the situation as it exists today. We do not contend that mechanical refrigeration will never fit in with the transportation of fresh fruits and vegetables; the time may come when the development of new techniques will make such application entirely feasible and desirable. When that time comes, PFE will be in the forefront with the finest equipment available, just as our new mechanically refrigerated super-insulated cars now coming off production lines represent the highest development of this art today. For the time being, however, the economic picture does not favor mechanical refrigeration for other than frozen commodities.

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